

ALGONAC HOUSING COMMISSION  
ALGONAC, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>Algonac Housing Commission</i>		County
Audit Date <i>3/31/04</i>	Opinion Date <i>9/2/04</i>	Date Accountant Report Submitted to State: <i>10/20/04</i>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, as amended, Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ yes ☐ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <i>Barry E. Gauderich, CPA, PC</i>			
Street Address <i>1107 E. 8th St.</i>		City <i>Harbor City</i>	State <i>MI</i>
Accountant Signature <i>Barry E. Gauderich CPA</i>		ZIP <i>49686</i>	

ALGONAC HOUSING COMMISSION  
TABLE OF CONTENTS  
MARCH 31, 2004

	<u>Page</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1-2
<u>FINANCIAL STATEMENTS</u>	
Combined Balance Sheet	3
Combined Statement of Revenue, Expenses and Changes in Equity	4
Combined Statement of Cash Flows	5-6
Notes to Financial Statements	7-17
<u>SUPPLEMENTAL INFORMATION</u>	
Combining Balance Sheet	18-19
Combining Statement of Revenue, Expenses and Changes in Equity	20
Combining Statement of Cash Flows	21-22
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Federal Awards	23
Financial Data Schedule	24-27
<u>REPORT ON COMPLIANCE AND ON INTERNAL CONTROL</u>	28-29
Adjusting Journal Entries	30

INTRODUCTION

***Independent Auditor's Report***

Board of Commissioners  
Algonac Housing Commission  
Algonac, Michigan

We have audited the accompanying financial statements of the Algonac Housing Commission of Algonac, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Algonac Housing Commission as of March 31, 2004, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2004 on our consideration of Algonac Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Algonac Housing Commission  
Independent Auditor's Report  
Page Two

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying **Financial Data Schedule** is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Barry E. Vandell, CPA, PC*  
September 2, 2004

FINANCIAL STATEMENTS

ALGONAC HOUSING COMMISSION  
COMBINED BALANCE SHEET  
March 31, 2004  
=====

**ASSETS**

Current Assets:

Cash	
Accounts receivable	\$ 109,801
Allowance for doubtful accounts	11,584
Accrued interest receivable	( 1,333)
Prepaid expenses	227
Due from other funds	2,172
	<u>10,000</u>

Total Current Assets

132,451

Property, Plant, and Equipment:

Land	
Buildings	35,500
Equipment	3,902,397
Building improvements	137,328
	<u>151,774</u>
	4,226,999
Less: accumulated depreciation	( 2,746,022)

Net Property, Plant, and Equipment

1,480,977

Total Assets

\$ 1,613,428

**LIABILITIES and EQUITY**

Current Liabilities:

Accounts payable	\$ 8,985
Tenant security deposit liability	15,896
Accrued expenses and liabilities	13,438
Deferred revenues	20
Due to other funds	<u>10,000</u>

Total Current Liabilities

48,339

Noncurrent Liabilities:

Accrued compensated absences	<u>14,385</u>
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Total Liabilities

62,724

Equity:

Contributed capital-HUD	4,509,017
Retained earnings(deficit) -unreserved	<u>(2,958,313)</u>

Total Equity

1,550,704

Total Liabilities and Equity

\$ 1,613,428

See notes to financial statements



ALGONAC HOUSING COMMISSION  
**COMBINED STATEMENT OF REVENUE, EXPENSES AND  
 CHANGES IN EQUITY**  
 Year Ended March 31, 2004  
 =====

**OPERATING REVENUES:**

Dwelling rent	\$ 160,931
Nondwelling rent	<u>2,874</u>
Total operating revenues	<u>163,805</u>

**OPERATING EXPENSES:**

Administration	143,043
Tenant services	40
Utilities	58,186
Ordinary maintenance and operation	137,066
General expenses	23,105
Extraordinary maintenance	3,164
Depreciation	<u>156,878</u>
Total operating expenses	<u>521,482</u>

Operating income(loss)	<u>( 357,677)</u>
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**NONOPERATING REVENUES AND (EXPENSES):**

Interest income	1,479
Other revenue	9,184
Capital grants	74,396
Operating grants	<u>163,886</u>
Total nonoperating revenues(expenses)	<u>248,945</u>

Net income(loss)	( 108,732)
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Prior period adjustments, equity transfers and correction of errors	40,589
Equity, beginning	<u>1,618,847</u>
Equity, ending	<u>\$1,550,704</u>

See notes to financial statements

ALGONAC HOUSING COMMISSION  
**COMBINED STATEMENT OF CASH FLOWS**  
 Year Ended March 31, 2004  
 =====

**Cash flows from operating activities:**

Operating(loss)	\$( 357,677)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	156,878
Adjustments	40,589
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	35
Prepaid expenses	( 2,172)
Due from other funds	40,000
Increase (decrease) in liabilities:	
Accrued compensated absences	5,941
Accounts payable-PILOT	( 805)
Deferred revenues	20
Tenant security deposits	639
Due to other funds	( 40,000)
Net cash (used in) operating activities	<u>( 156,552)</u>

**Cash flows from noncapital financing  
activities:**

Operating grants	163,886
Other revenues	<u>9,184</u>
Net cash provided by noncapital financing activities	<u>173,070</u>

**Cash flows from capital and related financing  
activities:**

Capital grants	114,396
Payments for capital acquisitions	<u>( 119,565)</u>
Net cash (used in) capital and related financing activities	<u>( 5,169)</u>

See notes to financial statements

ALGONAC HOUSING COMMISSION  
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended March 31, 2004  
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Cash flows from investing activities:

Receipts of interest and dividends	<u>1,479</u>
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Net cash provided by investing activities	<u>1,479</u>
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Net increase(decrease) in cash	12,828
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Cash, beginning	<u>96,973</u>
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Cash, ending	<u>\$ 109,801</u>
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Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:

Cash	
Restricted cash	\$ 109,801

Cash and cash equivalents per balance sheet	<u>\$ 109,801</u>
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See notes to financial statements

ALGONAC HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004  
=====

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Reporting Entity**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Algonac Housing Commission. The Algonac Housing Commission is a component unit of the City of Algonac, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Algonac on September 2, 2004, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Algonac Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission.

**Grants and Other Intergovernmental Revenues**

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3091, the Housing Commission constructed, maintains and operates 70 units of subsidized housing in the City of Algonac, Michigan.

**Fund Accounting**

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

ALGONAC HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported equity is segregated into contributed capital and retained earnings components. Operating statements present increases (revenues) and decreases (expenses) in equity.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City of Algonac has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

ALGONAC HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables**

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

**Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds. Receivable and payable arising from these transactions are classified as "due from other funds" and "due to other funds" on the balance sheet.

**Fixed Asset Capitalization**

Property, plant and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies.

Property, plant and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired as gift or bequest are recorded at their fair market value at the date of transfer.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. Depreciation expense may be subject to add back, in which case it would then be a charge against HUD contributions.

The Housing Commission's **Capitalization Policy** is as follows:

If the initial cost of a piece of equipment and/or other personal property is \$5,000 or more and the anticipated life or useful value of said equipment or property is more than one (1) year, the same shall be capitalized and recorded as nonexpendable equipment and charged as a capital expenditure.

ALGONAC HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Asset Capitalization (continued)

The Housing Commissions Capitalization Policy is as follows (continued):

If the initial cost of the piece of equipment and/or personal property is less than \$5,000 or its useful life is less than one (1) year regardless of cost, the same shall be treated and recorded as materials or inventory and charged to maintenance, administration, or tenant service expense.

The estimated useful lives for each major class of depreciable fixed assets are as follows:

Building improvements	40 years
Equipment for dwellings	15 years
Buildings	40 years
Furniture, equipment - admin.	5 - 7 years
Furniture, equipment - nondwelling	5 -15 years

Equity

The Housing Commission classifies its equity as follows:

- a. Contributed capital represents pre-2001 contributions from grants, HUD notes, and other aids for capital acquisitions and improvements.
- b. Unreserved retained earnings indicate that portion of equity which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to contributed capital rather than retained earnings.

ALGONAC HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- \* Unused vacation days can be carried over at the end of the calendar year.

Upon termination of employment with the Housing Commission, an employee shall be paid for any accumulated vacation days provided advance notice of termination is given per Housing Commission policy; payment will be made at the employee's most current rate of pay.

- \* There is no carryover of unused sick leave.
- \* All regular full-time employees shall be granted two (2) personal leave days per year beginning April 1st each year.

An employee shall not be allowed to accumulate unused personal leave days beyond one year and no renumeration shall be made for any unused personal leave days at time of termination of employment. Personal leave days may be taken for any purpose by at least one week notice to his/her supervisor or appointing authority.

The amount of accumulated benefits at March 31, 2004, was \$16,496 and is recorded as a liability in the Low Rent Program.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.



ALGONAC HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

**NOTE 2: CASH AND INVESTMENTS**

The Housing Commission maintains cash and investment accounts in the Low Rent Program fund. All receipts and disbursements are processed through the Low Rent Program accounts.

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.

Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.

Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Housing Commission's deposits may have been higher than the March 31, 2004, balances detailed below. This means that the Housing Commission's risk and exposure could have been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

ALGONAC HOUSING COMMISSION  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 March 31, 2004  
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**NOTE 2: CASH AND INVESTMENTS (Continued)**

<u>Depository</u>	<u>Depository Balances by Category</u>				<u>Carrying Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	
Fifth Third Bank	\$ 19,186	\$	\$	\$ 19,186	\$ 19,186
Sigma Financial Corporation		10,391		10,391	10,391
Citizens First	3,362			3,362	3,362
Seaway Community Bank	<u>76,712</u>			<u>76,712</u>	<u>76,712</u>
Total Deposits	<u>\$ 99,260</u>	<u>\$10,391</u>	<u>\$</u>	<u>\$ 109,651</u>	109,651
Petty cash					<u>150</u>
					<u>\$ 109,801</u>
<u>Reconciliation to Cash on Balance Sheet</u>					
Cash					
Investments					\$ 109,801
Restricted cash					-
					<u>-</u>
Total					<u>\$ 109,801</u>

**NOTE 3: RECEIVABLES AND PAYABLES**

**Tenant Accounts Receivable**

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At March 31, 2004, the receivables were \$1,584 with \$1,333 estimated as uncollectible. Bad debt expense was \$-0-.

**Accounts Receivables - HUD**

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at March 31, 2004 were as follows:

Capital Fund Program	<u>\$ 10,000</u>
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ALGONAC HOUSING COMMISSION  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 March 31, 2004  
 =====

**NOTE 3: RECEIVABLES AND PAYABLES (Continued)**

**Inter-fund Receivables, Payables, and Transfers**

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ 10,000	CFP Program	\$ 10,000
	<u>\$ 10,000</u>		<u>\$ 10,000</u>

Individual fund operating transfers during the fiscal year are as follows:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Low Rent Program	Capital Fund Program	<u>\$ 70,000</u>

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2004 was as follows:

	<u>Balance 03/31/03</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 03/31/04</u>
<b>Low Rent Public Housing Program</b>				
Land	\$ 35,500	\$	\$	\$ 35,500
Buildings	3,902,397			3,902,397
Furniture, equip. & machinery - dwellings	78,069			78,069
Furniture, equip. & machinery - administration	<u>59,259</u>			<u>59,259</u>
	\$4,075,225	<u>\$</u>	<u>\$</u>	\$4,075,225
Less accumulated depreciation	<u>(2,593,378)</u>	<u>\$ ( 64,582)</u>	<u>\$ 4,234</u>	<u>(2,653,726)</u>
Net fixed assets	<u>\$1,481,847</u>			<u>\$1,421,499</u>

ALGONAC HOUSING COMMISSION  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 March 31, 2004  
 =====

**NOTE 4: CAPITAL ASSETS (Continued)**

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Capital Fund Program Building improvements	\$ 36,443	\$ 115,331	\$	\$ 151,774

**NOTE 5: CONTRIBUTED CAPITAL**

The following is a summary of the activity in the Contributed Capital accounts:

	<u>Net HUD PHA</u> <u>Contributions</u>
Balance, beginning	\$ 4,665,895
Depreciation add back	( 64,582)
Balance, ending	<u>\$ 4,601,313</u>

**NOTE 6: POST EMPLOYMENT BENEFITS**

The Housing Commission does not have a pension plan.

**NOTE 7: CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an Act of congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

ALGONAC HOUSING COMMISSION  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 March 31, 2004

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**NOTE 8: RISK MANAGEMENT AND LITIGATION**

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

**NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Housing Commission maintains two Enterprise Funds which provide housing assistance and grant programs. Segment information for the year ended March 31, 2004, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>
Operating revenue	\$ 163,805	\$
Depreciation	156,878	
Operating(loss)	( 357,677)	
Operating grants-HUD	93,886	70,000
Capital grants-HUD		74,396
Net income(loss)	( 183,128)	74,396
Operating transfers	70,000	( 70,000)
Plant, property, and equipment:		
Additions		115,331
Working capital	84,112	
Total assets	1,451,654	161,774
Total equity	1,398,930	151,774

**NOTE 10: COMBINING FINANCIAL DATA SCHEDULES**

The totals in the Combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, interfund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

ALGONAC HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
=====

NOTE 11: PRIOR PERIOD ADJUSTMENTS, EQUITY TRANSFERS AND  
CORRECTION OF ERRORS

Low Rent Public Housing Program

Prior year accruals \$ ( 346 )

Capital Fund Program

Reclassify prior year soft cost \$ 40,935

SUPPLEMENTARY INFORMATION

## ALGONAC HOUSING COMMISSION

## COMBINING BALANCE SHEET

March 31, 2004

=====

	C-3091 Low Rent Program <u>14.850</u>	CFP Program <u>14.872</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 109,801	\$
Accounts receivable	1,584	10,000
Allowance for doubtful accounts	( 1,333)	
Accrued interest receivable	227	
Prepaid expenses	2,172	
Due from other funds	<u>10,000</u>	
Total current assets	<u>122,451</u>	<u>10,000</u>
Property, plant, and equipment:		
Land	35,500	
Buildings	3,902,397	
Equipment	137,328	
Building improvements		<u>151,774</u>
	<u>4,075,225</u>	<u>151,774</u>
Less accumulated depreciation	<u>( 2,746,022)</u>	
Net property, plant and equipment	<u>1,329,203</u>	<u>151,774</u>
Total Assets	<u>\$ 1,451,654</u>	<u>\$ 161,774</u>



Totals

\$ 109,801  
11,584  
( 1,333)  
227  
2,172  
10,000

132,451

35,500  
3,902,397  
137,328  
151,774  
4,226,999  
( 2,746,022)

1,480,977

\$ 1,613,428

ALGONAC HOUSING COMMISSION  
**COMBINING BALANCE SHEET (CONTINUED)**  
 March 31, 2004

=====

	C-3091 Low Rent Program <u>14.850</u>	CFP Program <u>14.872</u>
<b>LIABILITIES and EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 8,985	\$
Tenant security deposit liability	15,896	
Accrued expenses	2,695	
Deferred revenues	20	
Accrued liabilities	10,743	
Due to other funds		<u>10,000</u>
Total current liabilities	38,339	10,000
Noncurrent liabilities:		
Accrued compensated absences	<u>14,385</u>	
Total liabilities	<u>52,724</u>	<u>10,000</u>
Equity:		
Contributed capital-HUD	4,509,017	
Retained earnings(deficit)- unreserved	<u>(3,110,087)</u>	<u>151,774</u>
Total equity	<u>1,398,930</u>	<u>151,774</u>
Total Liabilities and Equity	<u><u>\$1,451,654</u></u>	<u><u>\$161,774</u></u>

Totals

\$ 8,985  
15,896  
2,695  
20  
10,743  
10,000

48,339

14,385

62,724

4,509,017

( 2,958,313)

1,550,704

\$ 1,613,428

ALGONAC HOUSING COMMISSION  
COMBINING STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN EQUITY

Year Ended March 31, 2004

=====

	C-3091 Low Rent Program <u>14.850</u>	CFP Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 160,931	\$
Nondwelling rent	<u>2,874</u>	<u>          </u>
Total operating revenues	<u>163,805</u>	<u>          </u>
<b>OPERATING EXPENSES:</b>		
Administration	143,043	
Tenant services	40	
Utilities	58,186	
Ordinary maintenance and operation	137,066	
General expenses	23,105	
Extraordinary maintenance	3,164	
Depreciation	<u>156,878</u>	<u>          </u>
Total operating expenses	<u>521,482</u>	<u>          </u>
Operating income(loss)	<u>( 357,677)</u>	<u>          </u>
<b>NONOPERATING REVENUES AND (EXPENSES):</b>		
Operating transfers in (out)	70,000	( 70,000)
Interest income	1,479	
Other revenue	9,184	
Capital grants		74,396
Operating grants	<u>93,886</u>	<u>70,000</u>
Total nonoperating revenues (expenses)	<u>174,549</u>	<u>74,396</u>
Net income(loss)	( 183,128)	74,396
Prior period adjustments, equity transfers and correction of errors	( 346)	40,935
Equity, beginning	<u>1,582,404</u>	<u>36,443</u>
Equity, ending	<u>\$1,398,930</u>	<u>\$ 151,774</u>

Totals

\$ 160,931  
2,874

163,805

143,043

40

58,186

137,066

23,105

3,164

156,878

521,482

( 357,677)

1,479

9,184

74,396

163,886

248,945

( 108,732)

40,589

1,618,847

\$1,550,704

ALGONAC HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS**  
Year Ended March 31, 2004  
=====

	C-3091 Low Rent Program <u>14.850</u>	CFP Program <u>14.872</u>
<b>Cash flows from operating activities:</b>		
Operating(loss)	\$( 357,677)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	156,878	
Adjustments	( 346)	40,935
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	35	
Prepaid expenses	( 2,172)	
Due from other funds	40,000	
Increase (decrease) in liabilities:		
Accrued compensated absences	5,941	
Accounts payable-PILOT	( 805)	
Deferred revenues	20	
Tenant security deposits	639	
Due to other funds	<u>          </u>	<u>( 40,000)</u>
Net cash provided by(used in) operating activities	<u>( 157,487)</u>	<u>935</u>
<b>Cash flows from noncapital financing activities:</b>		
Operating transfers in (out)	70,000	( 70,000)
Operating grants	93,886	70,000
Other revenues	<u>9,184</u>	<u>          </u>
Net cash provided by noncapital financing activities	<u>173,070</u>	<u>          </u>
<b>Cash flows from capital and related financing activities:</b>		
Capital grants		114,396
Payments for capital acquisitions	<u>( 4,234)</u>	<u>( 115,331)</u>
Net cash (used in) capital and related financing activities	<u>( 4,234)</u>	<u>( 935)</u>

Totals

\$ ( 357,677)

156,878  
40,589

35  
( 2,172)  
40,000

5,941  
( 805)  
20  
639  
( 40,000)

( 156,552)

163,886  
9,184

173,070

114,396  
( 119,565)

( 5,169)

ALGONAC HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
Year Ended March 31, 2004  
=====

	C-3091 Low Rent Program <u>14.850</u>	CFP Program <u>14.872</u>
<b>Cash flows from investing activities:</b>		
Receipts of interest and dividends	<u>1,479</u>	<u>          </u>
Net cash provided by investing activities	<u>1,479</u>	<u>          </u>
Net increase(decrease) in cash	12,828	
Cash, beginning	<u>96,973</u>	<u>          </u>
Cash, ending	<u><u>\$ 109,801</u></u>	<u><u>\$          </u></u>

**Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:**

Cash	\$ 109,801	\$
Restricted cash	<u>          </u>	<u>          </u>
Cash and cash equivalents per balance sheet	<u><u>\$ 109,801</u></u>	<u><u>\$          </u></u>



Totals

1,479

1,479

12,828

96,973

\$ 109,801

\$ 109,801

\$ 109,801

ALGONAC HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended March 31, 2004  
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal</u> <u>Year</u>	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2003	Low Rent Program	14.850	\$ 93,886
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2003	CFP Program	14.872	<u>144,396</u>
	Total		<u>\$ 238,282</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

ALGONAC HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE**  
 Year Ended March 31, 2004

=====

FDS Line Item No.		C-3091 Low Rent Program <u>14.850</u>	CFP Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 109,801	\$
100	Total cash	<u>109,801</u>	
	Receivables:		
122	Accounts receivable - HUD		
	other projects		10,000
126	Accounts receivable - tenants		
	- dwelling rents	1,584	
126.1	Allowance for doubtful accounts		
	- dwelling rents	( 1,333)	
129	Accrued interest receivable	<u>227</u>	
120	Total receivables, net of allowances for doubtful accounts	<u>478</u>	<u>10,000</u>
	Other Current Assets:		
142	Prepaid expenses	2,172	
144	Interprogram due from	<u>10,000</u>	
	Total other assets	<u>12,172</u>	
150	Total current assets	<u>122,451</u>	<u>10,000</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	35,500	
162	Buildings	3,902,397	
163	Furn, equip & mach-dwellings	78,069	
164	Furn, equip & mach-admin	59,259	
165	Building improvements		151,774
166	Accumulated depreciation	<u>(2,746,022)</u>	
160	Total fixed assets, net of accumulated depreciation	<u>1,329,203</u>	<u>151,774</u>
190	Total Assets	<u>\$ 1,451,654</u>	<u>\$ 161,774</u>

Totals

\$ 109,801

109,801

10,000

1,584

( 1,333)  
227

10,478

2,172

10,000

12,172

132,451

35,500

3,902,397

78,069

59,259

151,774

( 2,746,022)

1,480,977

\$ 1,613,428

ALGONAC HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended March 31, 2004  
 =====

FDS Line Item No.		C-3091 Low Rent Program <u>14.850</u>	CFP Program <u>14.872</u>
	<b>LIABILITIES AND EQUITY</b>		
	Liabilities:		
	Current Liabilities:		
321	Accrued wage/payroll taxes pay.	\$ 584	\$
322	Accrued compensated absences - current portion	2,111	
333	Accounts payable - other government	8,985	
341	Tenant security deposits	15,896	
342	Deferred revenues	20	
346	Accrued liabilities - other	10,743	
347	Interprogram due to		<u>10,000</u>
310	Total current liabilities	38,339	10,000
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>14,385</u>	
300	Total liabilities	<u>52,724</u>	<u>10,000</u>
	Contributed Capital:		
504	Net HUD PHA contributions	<u>4,509,017</u>	
508	Total contributed capital	4,509,017	
512	Undesignated retained earnings	<u>(3,110,087)</u>	<u>151,774</u>
513	Equity	<u>1,398,930</u>	<u>151,774</u>
600	Total Liabilities and Equity	<u>\$ 1,451,654</u>	<u>\$ 161,774</u>

Totals

\$ 584

2,111

8,985

15,896

20

10,743

10,000

48,339

14,385

62,724

4,509,017

4,509,017

( 2,958,313)

1,550,704

\$ 1,613,428

ALGONAC HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended March 31, 2004

=====

FDS Line Item No.		C-3091 Low Rent Program <u>14.850</u>	CFP Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 160,931	\$
704	Tenant revenue-other	<u>2,874</u>	
705	Total tenant revenue	163,805	
706	HUD PHA grants	93,886	70,000
706.1	Capital grants		74,396
711	Investment income-unrestricted	1,479	
715	Other revenue	<u>9,184</u>	
700	Total revenue	<u>268,354</u>	<u>144,396</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	72,574	
912	Auditing fees	1,500	
914	Compensated absences	5,941	
915	Employee benefit contributions-adm.	25,224	
916	Other operating-administrative	37,804	
	Tenant services:		
924	Tenant services-other	40	
	Utilities:		
931	Water	11,926	
932	Electricity	39,461	
933	Gas	6,799	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	79,567	
942	Ordinary maint & oper-mat'ls & other	6,509	
943	Ordinary maint & oper-contract costs	23,313	
945	Employee benefit contributions-ordinary maintenance	27,677	
	General expenses:		
961	Insurance premiums	14,119	
963	Payments in lieu of taxes	<u>8,986</u>	
969	Total operating expenses	<u>361,440</u>	
970	Excess operating revenue over operating expenses	<u>( 93,086)</u>	<u>144,396</u>

Totals

\$ 160,931  
2,874  
163,805  
163,886  
74,396  
1,479  
9,184

412,750

72,574  
1,500  
5,941  
25,224  
37,804

40

11,926  
39,461  
6,799

79,567  
6,509  
23,313

27,677

14,119  
8,986

361,440

51,310



ALGONAC HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended March 31, 2004  
 =====

FDS Line Item No.		C-3091 Low Rent Program <u>14.850</u>	CFP Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
971	Extraordinary maintenance	3,164	
974	Depreciation expense	<u>156,878</u>	
	Total other expenses	<u>160,042</u>	
900	Total expenses	<u>521,482</u>	
	Other Financing Sources(Uses):		
1001	Operating transfers in	70,000	
1002	Operating transfers (out)		<u>( 70,000)</u>
1010	Total other financing sources (Uses)	<u>70,000</u>	<u>( 70,000)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	( 183,128)	74,396
1103	Beginning Equity	1,582,404	36,443
1104	Prior period adjustments, equity transfers and correction of errors	<u>( 346)</u>	<u>40,935</u>
	Ending Equity	<u>\$1,398,930</u>	<u>\$ 151,774</u>

Totals

3,164  
156,878

160,042

521,482

70,000  
( 70,000)

( 108,732)

1,618,847

40,589

\$1,550,704

**Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of  
Financial Statements Performed in Accordance  
with Government Auditing Standards**

Board of Commissioners  
Algonac Housing Commission  
Algonac, Michigan

We have audited the financial statements of the Algonac Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2004, and have issued our report thereon dated September 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Compliance***

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in on

Report on Compliance and on Internal Control  
In Accordance with Government Auditing Standards  
Algonac Housing Commission  
Page Two

***Internal Control Over Financial Reporting - Continued***

relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Bary E. Tardiff, CPA, PC*

September 2, 2004

ALGONAC HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
 March 31, 2004  
 =====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
<b>LOW RENT PROGRAM</b>			
	(1)		
4580	Depreciation expense	\$92,295.89	
1409	Accumulated depreciation		\$92,295.89
	To adjust depreciation expense to the same amount as the prior year.		
	(2)		
2804	HUD contributed capital	92,295.89	
2802	Retained earnings		92,295.89
	To add back the depreciation expense to retained earnings.		
	(3)		
	Compensated absences expense	5,940.57	
2335	Accrued compensation		5,940.57
	To adjust accrual to actual as of March 31, 2004.		

ALGONAC HOUSING COMMISSION

**INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE/BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS**

MARCH 31, 2004

**ALGONAC HOUSING COMMISSION**  
**CONTENTS**  
**MARCH 31, 2004**

	<u>Page</u>
Independent Auditors' Report on Communications With the Audit Committee/Board of Commissioners	1-2
Independent Auditors' Report on Management Advisory Comments	3
Management Advisory Comments	4
Adjusting Journal Entries	5

**INDEPENDENT AUDITORS' REPORT ON  
COMMUNICATIONS WITH THE AUDIT COMMITTEE/  
BOARD OF COMMISSIONERS**

To the Board of Commissioners  
Algonac Housing Commission

We have audited the financial statements of the Algonac Housing Commission ("Housing Commission") as of and for the year ended March 31, 2004, and have issued our report, thereon, dated September 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

**Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America** - In planning and performing our audit of the financial statements, we considered your internal control in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

**Significant Accounting Policies** - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There was one material audit adjusting journal entry, but no controversial accounting issues.

**Management Judgments and Accounting Estimates** - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

**Other Information in Documents Containing Audited Financial Statements** - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.



**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE - CONTINUED**

**Audit Adjustments** - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in our judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see adjusting entries on page 5).

**Disagreements With Management** - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the audit.

**Consultations With Other Accountants** - To our knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

**Major Issues Discussed With Management Prior to Retention** - There was no discussions regarding the application of accounting principles or auditing standards with management prior to our retention as your auditor.

**Difficulties Encountered in Performing the Audit** - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, we would welcome the opportunity to discuss them with you.

*Bary E. Landolt, CPA, PC*

September 2, 2004

**INDEPENDENT AUDITORS' REPORT ON  
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners  
Algonac Housing Commission

We have audited the financial statements of the Algonac Housing Commission ("Housing Commission") as of and for the year ended March 31, 2004, and have issued our report, thereon, dated September 2, 2004. We have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to our attention during the audit, are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Housing Commission's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

*Sandy E. Jaudeth, CPA, PC*

September 2, 2004

ALGONAC HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
March 31, 2004

=====

**Credit Card Policy**

The Housing Commission does not have a credit card policy.

We recommend that the Housing Commission adopt a credit card policy that would describe which staff members can use, which vendors and any limits on how much can be charged. The Local of Audit Division of the Department of Treasury for the State of Michigan requires a policy if credit cards are used.

ALGONAC HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
 March 31, 2004

=====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
<b>LOW RENT PROGRAM</b>			
	(1)		
4580	Depreciation expense	\$ 92,295.89	
1409	Accumulated depreciation		\$ 92,295.89
	To adjust depreciation expense to the same amount as the prior year.		
	(2)		
2804	HUD contributed capital	92,295.89	
2802	Retained earnings		92,295.89
	To add back the depreciation expense to retained earnings.		
	(3)		
	Compensated absences expense	5,940.57	
2335	Accrued compensation		5,940.57
	To adjust accrual to actual as of March 31, 2004.		